IRS 1099 Processing

For the Department of Defense Agencies

Presented by:
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Program Manager
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Your Financial Partner @ Work

DFAS and Tax Office Staff

DFAS 1099 Tax Reporting Program (1099 TRP) is an automated system used to gather data from banks and checkwriters (account holders) for credit card charges and convenience checks.

Staff:

Gayla Vincent is the Tax Office Program Manager and has over 30 years with the Federal Government. As Program Manager she is responsible for the overall management of the program.

Sandy Major is the Tax Office Terminal Assistance Security Officer (TASO) and has over 17 years with the Federal Government. As TASO she is responsible for access to the program, troubleshooting access problems and security.

Lisa Temple is a Financial Analyst in the Tax Office with over 11 years with the Federal Government. She is responsible for retrieval of data from the various data sources, data quality, issuance of and corrections to the 1099s.

Types of Reporting Completed by DFAS

- IRS Form 1099-M issued for DoD agencies for:
  - Bank of America
    - DoD Travel Card
    - Centrally Billed Accounts
  - VISA payments via U.S. Bank
    - Purchase Card
    - Convenience Checks
  - MasterCard payments via Citibank
    - Purchase Card
    - Convenience Checks

Federal Government Reporting Requiremen

The Law: Internal Revenue Code 6041 and 6041a

- **Issue IRS Form 1099-Miscellaneous for payments of $600 or more per calendar year for "services, rent, medical, etc." to:**
  - **Sole Proprietors, Partnerships and also Corporations!**

- **Issue IRS Form 1099-Miscellaneous for payments of $10 or more per calendar year for "interest" payments to:**
  - **Sole Proprietors, Partnerships, BUT not Corporations!**

- **Issue IRS Form 1099-Canceled Debts for $600 or more per calendar year for "cancelled debts" to:**
  - **Sole Proprietors, Partnerships, and also**

Purchase Card/Travel Card Processing

- **Mature reporting process, used since 1998**
- **Direct data pull from card banks to DFAS**
- **Seamless process:**
  - Reporting based on the Merchant Category Code (MCC)
  - 1099 issuance based on TIN, then Merchant name
  - Transactions matched to Merchant name
- **No cardholder or approving official involvement, minimum administrative burden to agencies**
- **Supports multiple GSA card contractors**
- **Data validated against:**
  - MCC Table developed with the IRS
  - U.S. Postal Service abbreviation table
  - Bogus TIN table

Convenience Check Processing

- **Data input via a secure website with controlled access**
- **Worldwide access is available 24 hours a day, 7 days a week**
- **cco.checks@dfas.mil (email) and help desk is available 8-4 p.m. Eastern Standard Time**
- **Single entry data input**
- **Immediate visibility of your data**
- **APC and AO can review data entered by their checkwriter(s)**
- **APC can enter data on behalf of checkwriter(s)**
- **Status update on 1099s issued on your account**
- **User manual available for assistance/training**
- **Minimum administrative burden**

Convenience Check Reporting

Services

Speakers, instructors, printing, lawn mowing, food service, repairs (vehicle, copiers, building, sidewalk, roof, computers), accountants, architects, contractors, report payment even it it includes parts and materials

Rent

Booth rental, storage, equipment, conference room

Medical and health care

Physicals, eye exams, treatment programs

Gross proceeds paid to an attorney

Other Income

Prizes, awards, fishing boat proceeds

Non-Reporting Requirements

Utilities to include gas, water, telephone and cable

Copyrights

Publishing rights

Purchases that are solely for products/goods

Keeper of the Stationary

Tax exempt agencies

Boy/Girl Scouts, Red Cross, most churches

Federal, state, county, parish, city government agencies

Colleges/universities if owned by the state - such as Ohio “State” University

U.S. Postal Service, U.S. Customs, - all federal agencies are tax exempt!

Delivery services: FedEx, UPS, U.S. Post office

Reporting Requirements

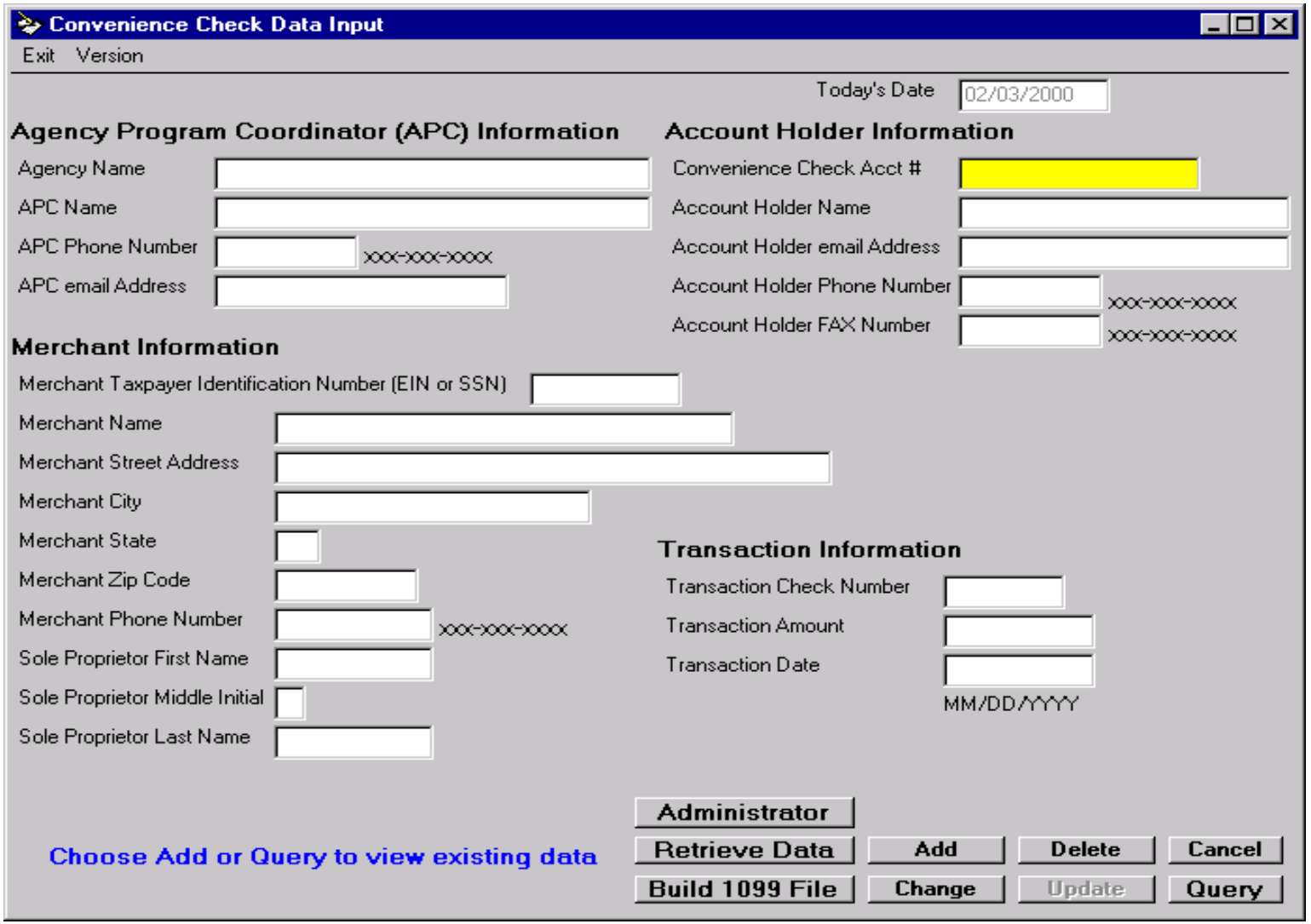
Do not include the bank fee when you enter the check data!

All checks **Must** be entered:

- for the calendar year - **January** - **December**
- not when they appear on your bank statement
- not when the check is give to the recipient
- not when the check is cashed!

DUE DATE TO INPUT - Dec 31st!!

What system is not used?



Who is authorized access? Responsibilitie

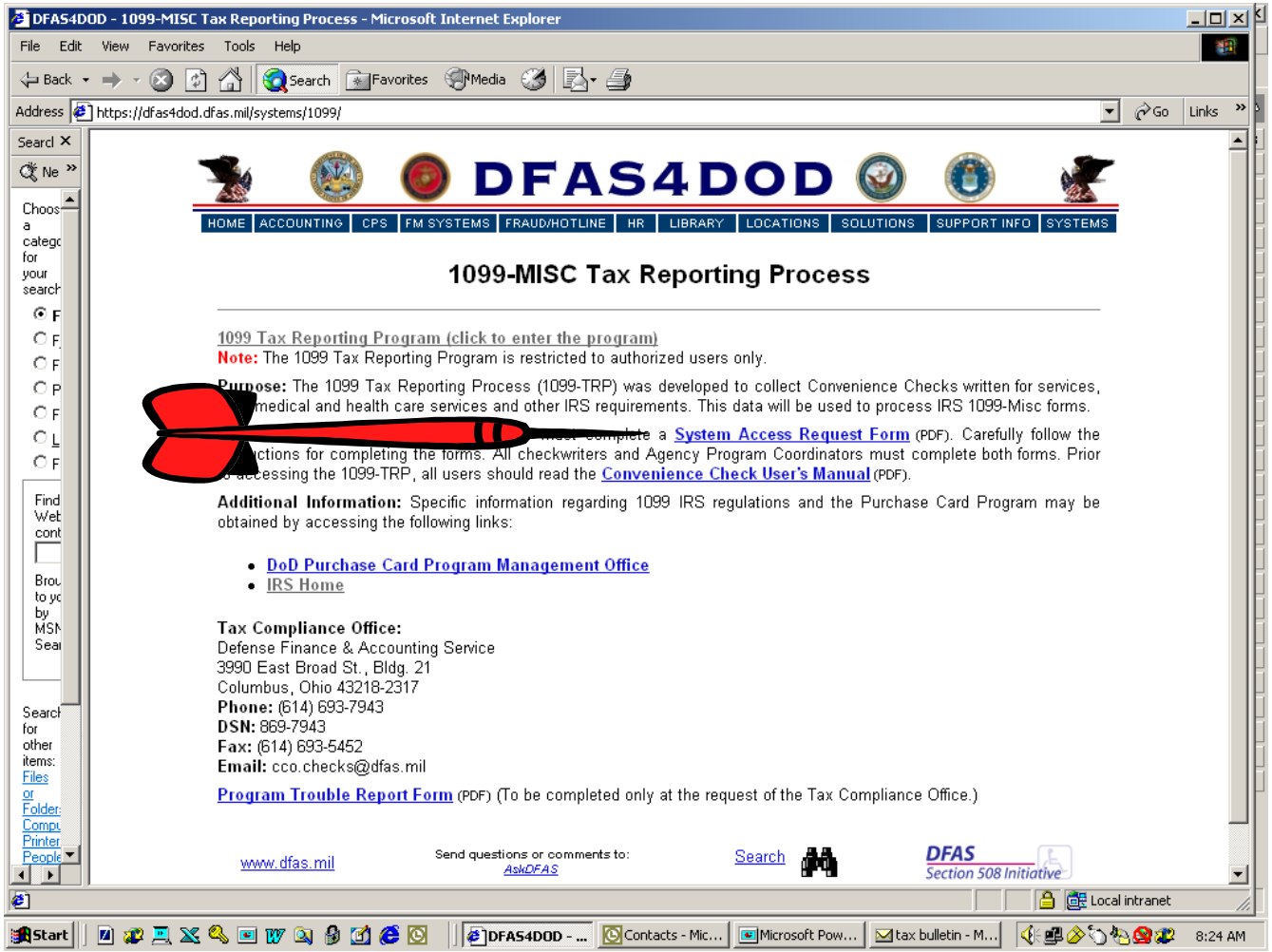
- Agency Program Coordinator (APC)
  - It is *mandatory* that you have access.
  - Access will be to all accounts for all of your assigned checkwriters.
  - Responsible for ensuring data is entered.
  - Responsible for notifying DFAS to add/delete checkwriters.

- Approving Official/Billing Official (AO)
  - Access is “read only” to all accounts for all of your assigned checkwriters.
  - Ensure data entered agrees with billing statement.

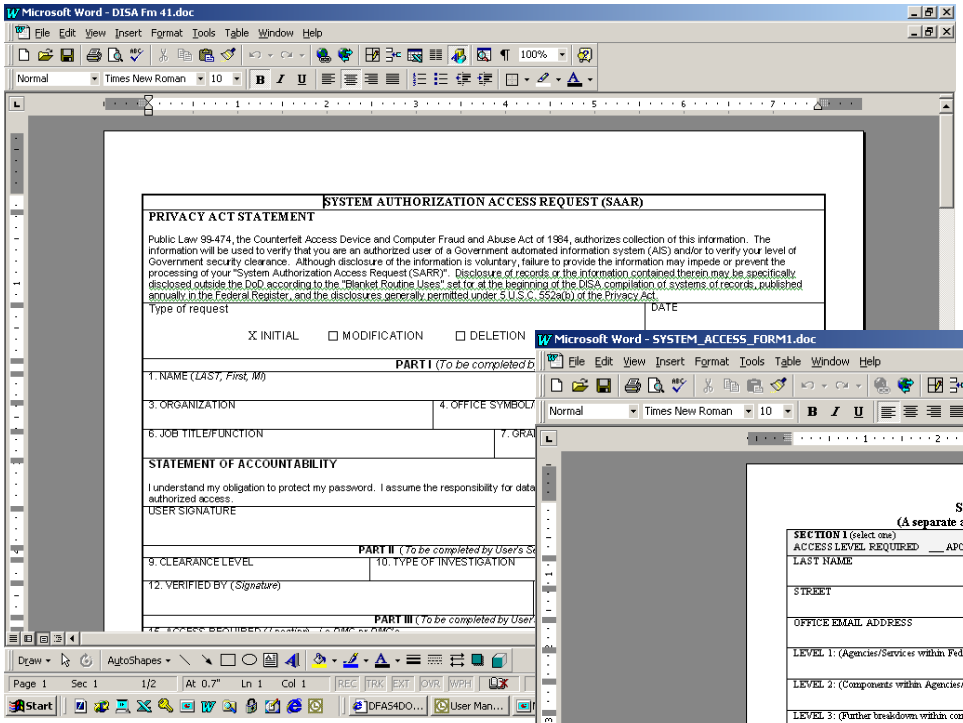
- Account Holders (AH)/Checkwriter
  - Access will be granted to only your account(s).
  - Responsible for correct data entry.
  - Responsible for notification to DFAS of corrections needed.

Need access? Begin at the Home Page!

- Complete the system access forms found at the link on the home page.
- Address is: https://dfas4dod.dfas.mil/systems/1099


DFAS4DOD - 1099-MISC Tax Reporting Process - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Address https://dfas4dod.dfas.mil/systems/1099/
DFAS4DOD
HOME ACCOUNTING CPS FM SYSTEMS FRAUD/HOTLINE HR LIBRARY LOCATIONS SOLUTIONS SUPPORT INFO SYSTEMS
1099-MISC Tax Reporting Process
1099 Tax Reporting Program (click to enter the program)
Note: The 1099 Tax Reporting Program is restricted to authorized users only.
Purpose: The 1099 Tax Reporting Process (1099-TRP) was developed to collect Convenience Checks written for services, medical and health care services and other IRS requirements. This data will be used to process IRS 1099-Misc forms.
a System Access Request Form (PDF). Carefully follow the ctions for completing the forms. All checkwriters and Agency Program Coordinators must complete both forms. Prior accessing the 1099-TRP, all users should read the Convenience Check User's Manual (PDF).
Additional Information: Specific information regarding 1099 IRS regulations and the Purchase Card Program may be obtained by accessing the following links:
DoD Purchase Card Program Management Office
IRS Home
Tax Compliance Office:
Defense Finance & Accounting Service
3990 East Broad St., Bldg. 21
Columbus, Ohio 43218-2317
Phone: (614) 693-7943
DSN: 869-7943
Fax: (614) 693-5452
Email: cco.checks@dfas.mil
Program Trouble Report Form (PDF) (To be completed only at the request of the Tax Compliance Office.)
www.dfas.mil
Send questions or comments to:
AskDFAS
Search
DFAS
Section 508 Initiative
Local intranet
Start
8:24 AM

System Access Forms


Microsoft Word - DISA Fm 41.doc

SYSTEM AUTHORIZATION ACCESS REQUEST (SAAR)

PRIVACY ACT STATEMENT

Public Law 99-474, the Counterfeit Access Device and Computer Fraud and Abuse Act of 1984, authorizes collection of this information. The information will be used to verify that you are an authorized user of a Government automated information system (AIS) and/or to verify your level of Government security clearance. Although disclosure of the information is voluntary, failure to provide the information may impede or prevent the processing of your "System Authorization Access Request (SARR)". Disclosure of records or the information contained therein may be specifically disclosed outside the DoD according to the "Blanket Routine Uses" set for at the beginning of the DISA compilation of systems of records, published annually in the Federal Register, and the disclosures generally permitted under 5 U.S.C. 552a(b) of the Privacy Act.

Type of request | DATE

☒ INITIAL ☐ MODIFICATION ☐ DELETION

PART I (To be completed b

1. NAME (LAST, First, MI)

3. ORGANIZATION | 4. OFFICE SYMBOL/

6. JOB TITLE/FUNCTION | 7. GRA

STATEMENT OF ACCOUNTABILITY

I understand my obligation to protect my password. I assume the responsibility for data authorized access

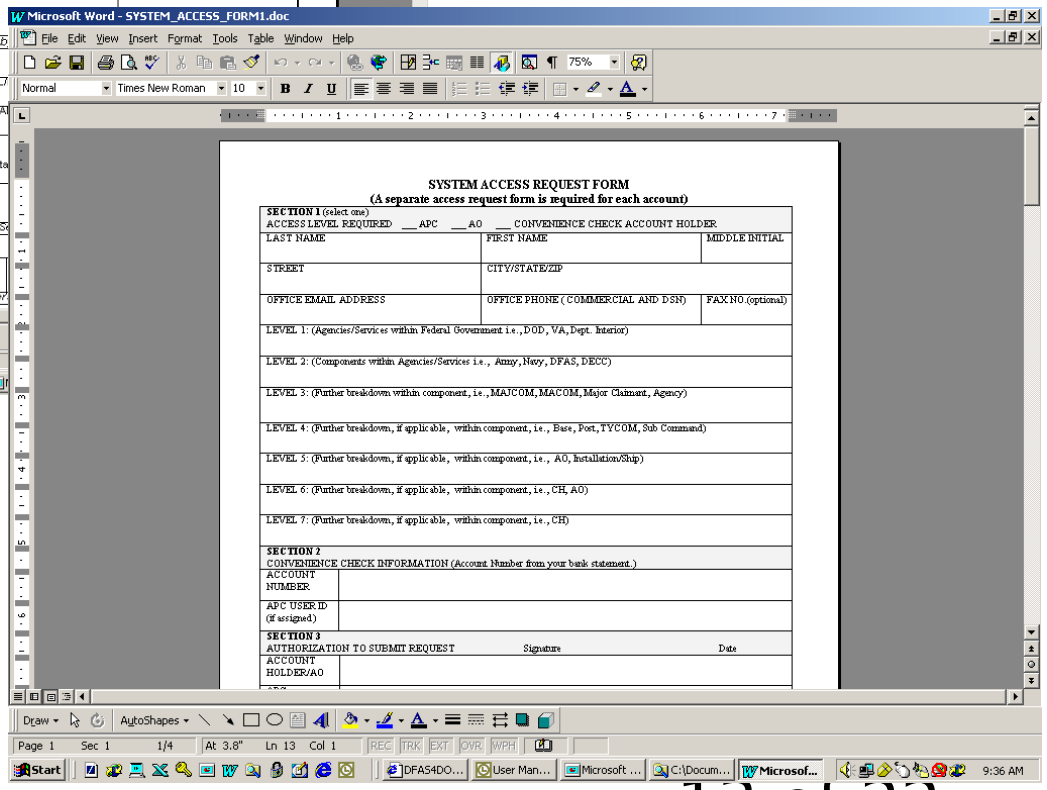
USER SIGNATURE

PART II (To be completed by User's S

9. CLEARANCE LEVEL | 10. TYPE OF INVESTIGATION

12. VERIFIED BY (Signature)

PART III (To be completed by User


Microsoft Word - SYSTEM_ACCESS_FORM1.doc

SYSTEM ACCESS REQUEST FORM

(A separate access request form is required for each account)

SECTION 1 (select one)

ACCESS LEVEL REQUIRED ___APC ___AO ___ CONVENIENCE CHECK ACCOUNT HOLDER

LAST NAME	FIRST NAME	MIDDLE INITIAL
STREET	CITY/STATE/ZIP	
OFFICE EMAIL ADDRESS	OFFICE PHONE (COMMERCIAL AND DSN)	FAX NO.(optional)

LEVEL 1: (Agencies/Services within Federal Government i.e., DOD, VA, Dept. Interior)

LEVEL 2: (Components within Agencies/Services i.e., Army, Navy, DFAS, DECC)

LEVEL 3: (Further breakdown within component, i.e., MAJCOM, MACOM, Major Claimant, Agency)

LEVEL 4: (Further breakdown, if applicable, within component, i.e., Base, Post, TYCOM, Sub Command)

LEVEL 5: (Further breakdown, if applicable, within component, i.e., AO, Installation/Ship)

LEVEL 6: (Further breakdown, if applicable, within component, i.e., CH, AO)

LEVEL 7: (Further breakdown, if applicable, within component, i.e., CH)

SECTION 2

CONVENIENCE CHECK INFORMATION (Account Number from your bank statement.)

ACCOUNT NUMBER	
APC USER ID (if assigned)	

SECTION 3

AUTHORIZATION TO SUBMIT REQUEST | Signature | Date

ACCOUNT HOLDER/AO		

You do not need a security clearance, but you do need a background check.

Change your password! Don't use "@" or "^"!

Access/Operating Issues

Access issues: We can resolve them all! Most are "firewall" type issues. Port 9000 must be open to use the program.

Make sure you have all of the data in front of you before you begin entering it into the 1099 TRP. You will need:

- **Recipient name, address, tax identification number, check number, date of check, amount of check**

What do I do if they refuse to supply any of this data?

I made a mistake when entering the data, what do I do?

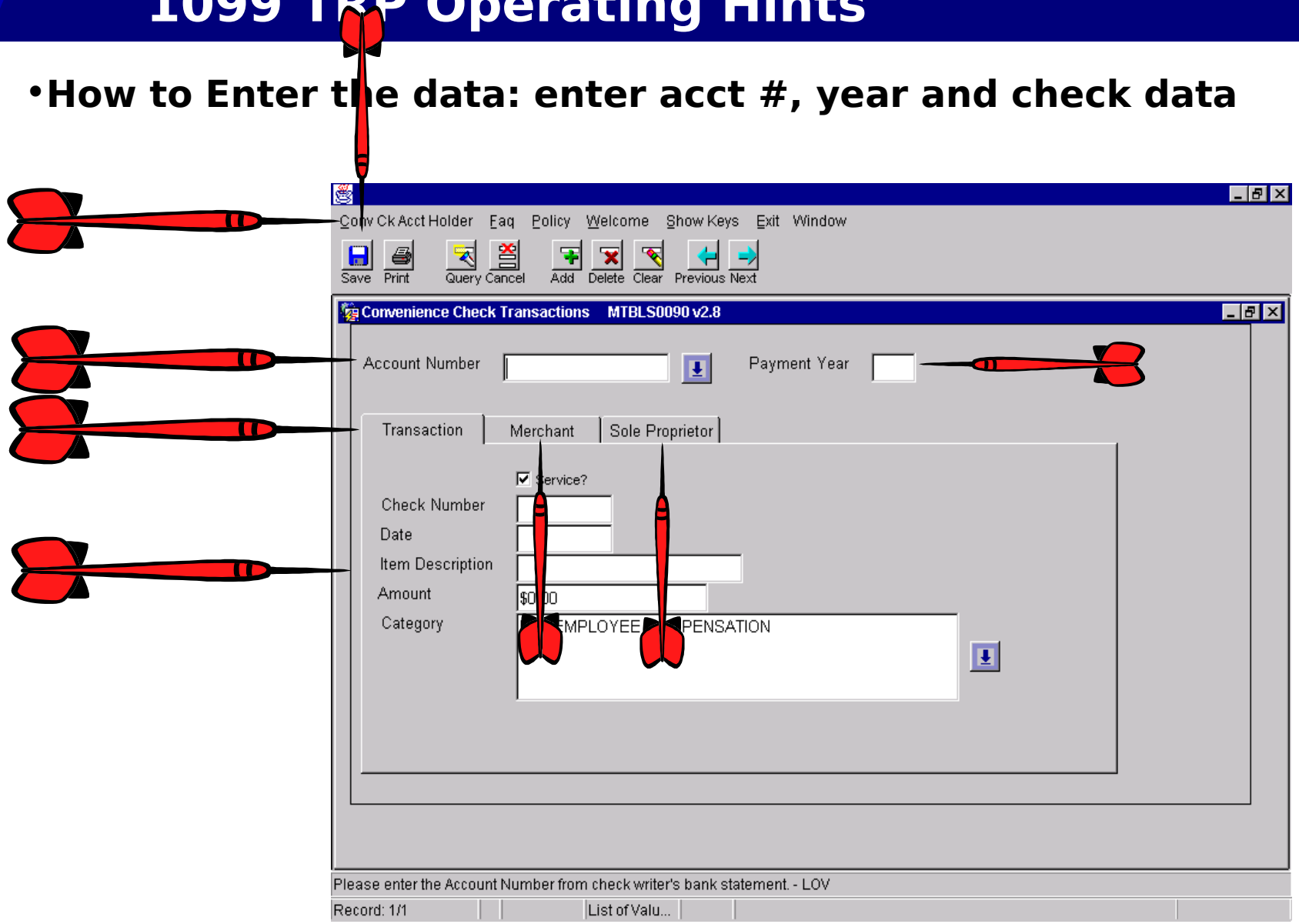
Don't "zero" out the dollar amount!

How do I find out what I've entered? Use "query" process.

Enter checks for <u>any</u> dollar amount - we summarize to reach the $600 threshold!

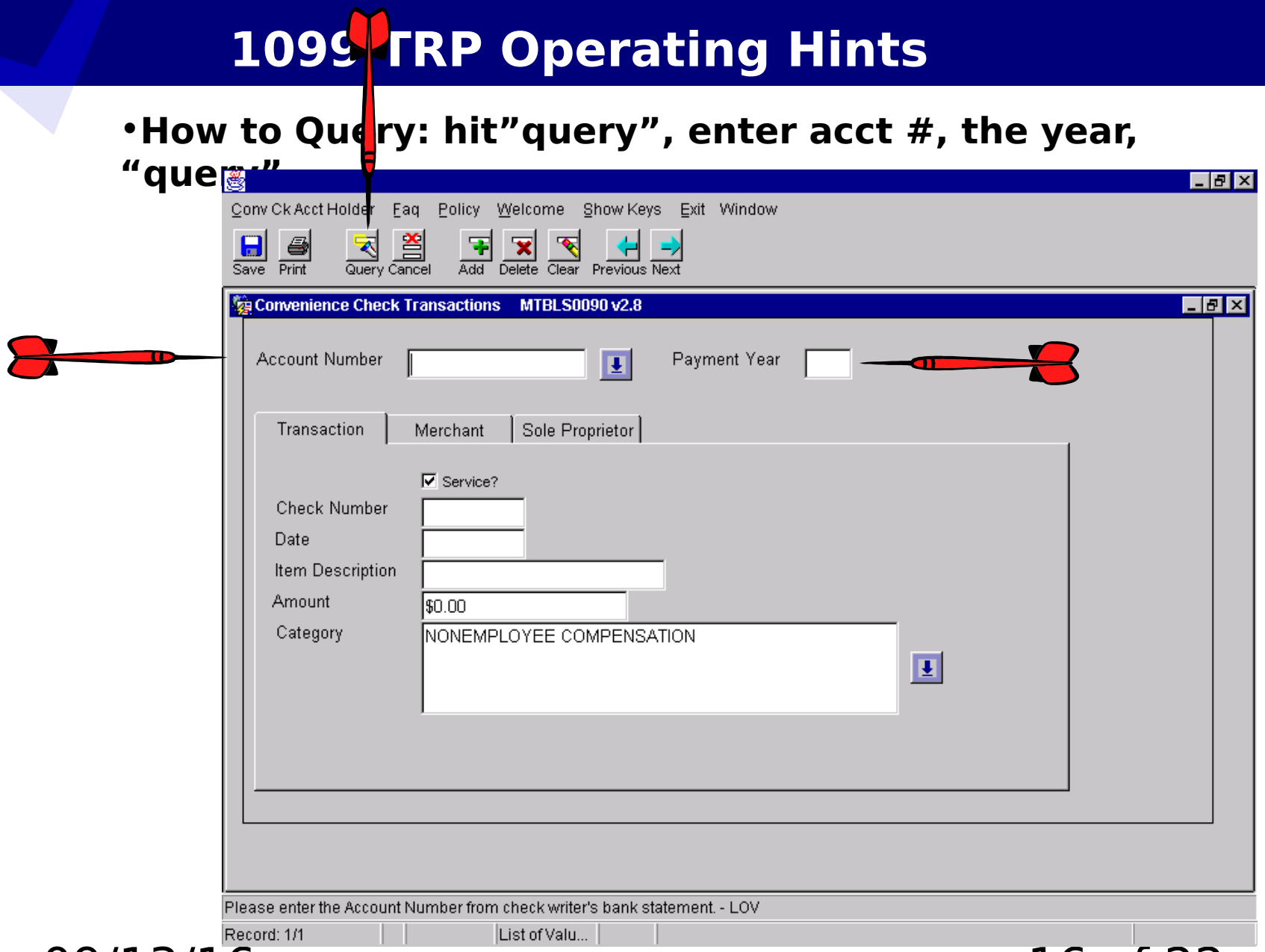
1099 TRP Operating Hints

- **How to Enter the data: enter acct #, year and check data**



1099 TRP Operating Hints

- **How to Query: hit”query”, enter acct #, the year, “query”**



Challenges

Top issues:

1. Missing / incomplete / late submission of data which decreases tax compliance

2. Typing errors, misspelled street names/cities

3. Nicknames, abbreviation in business name, missing sole proprietors name with use of SSN

4. Corporations who think they are “tax exempt”

5. Inability to roll data together to issue one combined 1099 because of differences in the name

6. Inability to obtain December data timely for data review prior to issuance

Future Initiatives / Improvements

What's on the horizon?

- **Better resolution of rejected (missing / incomplete) data**
- **Continue to improve data quality**
- **Automate validation process of checkwriters who require access to 1099 database**
- **Monthly data receipt from banks and conv checkwriters**
- **Obtain certification / accreditation of web program**
- **Obtain relief from IRS for penalties of inaccurate data**
- **Provide reports for APC/AO/AH to view all data at once**
- **Future expansion for other government agencies**

Audit issues

What do you need if you are audited?

- Account numbers for cards/checks for all employees.
- Log book, check book, any/all internal records you maintain.
- Receipts/invoices for all transactions made via card/check.

What can DFAS provide?

- List of who has access to the 1099 TRP for your agency.
- A report of the data sent to us for each account number.
- A report of the 1099s issued to include recipient name, address, TIN, total amount paid by DoD, etc.
- Corrections made on 1099s issued.

IRS Issues

Draft Revenue Procedure: Notice 2003-37

- **Identify alternative identification methods - Merchant Category Codes/Industry Codes**

Draft Revenue Procedure: Notice 2003-13

- **3rd party data quality - relief from penalties**
- **Purchase Card backup withholding**

http://www.irs.gov/pub/irs-drop/n-03-14.pdf

Revenue Procedure 2003-9

- **TIN Matching Program**

http://www.irs.gov/pub/irs-drop/rp-03-09.pdf

DFAS Point of Contact

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Telephone: 614-693-0788
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email: lisa.temple@dfas.mil

DoD Purchase Card Office: http://purchasecard.saalt.army.mil

Financial Partner @ Work
DEPARTMENT OF DEFENSE
DEFENSE FINANCE AND ACCOUNTING SERVICE